

Date: 5/11/06
Ref: 714/10100-8/04

Bureau of Planning and Finance
Mekelle
(251)-914-74-33-07 or (251)-342-40-01-95
E-mail: antea404@gmail.com.

To Mekelle University
Mekelle

Dear Sir,

Subject: Request for Proposals for Consulting Services: For research on investment in Mekelle City,

The Bureau of Planning and Finance (BoPF) with collaboration with Mekelle City Administration is seeking qualified offers for the above-mentioned consulting services. Your University is kindly invited to submit your best technical and financial offer for the requested services. Your proposal could form the basis for a contract between your institution and the BoPF.

To enable you to submit a proposal, please find enclosed:

- a) Annex I: Terms of Reference (TOR), containing a description of BoPF requirements for which these services are being sought;
- c) Annex II: A draft of the form of contract under which the services would be performed.

This letter is not to be construed in any way as an offer to contract with your institution.

Yours sincerely,


ANTENEH ZEWDIE
POLICY RESEARCH AND INFORM.
CORE PROCESS OWNER



CCS
09/11/06
Technical and Financial
proposal
9/11/06

Contents

1. Introduction.....	1
2. Background.....	2
2.1 Motivation for research.....	2
2.2 Audience for the research	3
2.3 Planning and Finance Bureau partners	3
3. Research scope and required competencies	3
3.1 Objective	4
3.2 Elements of investment growth conditions to be studied	5
3.2.1 Investment Climate	5
3.2.2 Sources of economic growth in Mekelle city	5
3.3 Methods.....	5
4. Expected outputs during research implementation	6
4.1 Inception phase: Background research and planning.....	6
4.2 Primary data collection	6
4.3 Secondary data use.....	7
4.4 Data analysis and reporting.....	7
4.5 Dissemination and engagement	7



1. Introduction

The Regional economy of Tigray is dominated by the agriculture and services sectors with each accounting for about 33 and 42 percent of gross domestic product (GDP) respectively, leaving about 25 percent for industry, of which manufacturing accounts for about 15 percent. Exports are highly concentrated, with oil seed alone accounting for more than half of the total. Moreover, Tigray has been located in small proportion in the country market for manufacturing exports, having an industrial export share much less than the already minuscule median for Ethiopia. The limited change in the structure of the economy, especially with regard to manufacturing, is partly explained by the low levels of investment flows and the sluggish growth of the private sector, which was too little to affect its historically low share in labor-intensive manufactures. Indeed, even after more than a decade of reforms by the government private economic activities in the Region's manufacturing sector remain very small.

Past Tigray's and specifically, Mekelle city's lack of private sector development could partly be explained by the long legacy of the ideological repression of private sector activities under the Derg regime. However, a more fundamental reason is that the region remains a very low income region with extensive poverty for longer time. Health condition was so poor where infant and maternal mortality and child malnutrition rates were among the highest in the country. Nearly two-thirds of the adults were illiterate. Gender disparities have been significantly hampering female empowerment. These and other conditions have for long impeding the growth of the regional and local economy.

Since after policies and strategies have been developed and tremendous growth was witnessed in the region at large and in Mekelle city in particular. Regional development context is framed through the governments five-year growth and transformation plan (GTP) for 2015/16-2019/20, with a vision to become a middle income country by 2025. The plan envisages a major transformation of the regional economic structure, seeking to double agriculture production and significantly increase the share of industry in the economy, while maintaining a focus on human development, women's empowerment and governance. In last first GTP years report, the government highlighted its strong economic growth while lamenting lower productivity improvements in



agriculture, and lower growth in small medium sized enterprises. Infrastructure improvement in roads, telecommunications and energy has nevertheless been impressive.

Even though investment is increasing both at regional and at Mekelle city level small medium sized enterprises growth is limited. On the contrary there are huge potential investment areas that could lure large number of investors both from domestic and foreign.

Therefore systematical analysis of the conditions for private investment and enterprise growth in the region, drawing on the experience of local firms to pinpoint the areas where reform is most needed to improve the private sector's productivity and competitiveness. By providing a practical foundation for policy recommendations and involving local partners throughout the process, the assessments are designed to give greater impetus to policy reforms that can speed the private sector's growth, leading to faster economic growth and poverty reduction at regional and local level.

2. Background

2.1 Motivation for research

The distribution of investment portray that most of the investment is concentrated in Addis Ababa, unfairly making it "Metropolis" and other regional states of Ethiopia as "Satellites" that can be accounted for the existence of large market potential and location advantage. Tigray has pursued its own investment policies aimed at transforming its economic structure. For this effect incentive package was introduced for eligible investors. So far the region has able to register rapid increment in investment year in year out. Specifically, despite Mekelle city's potential for private sector-led growth and economic diversification, private sector is not growing as fast as it should. There are far fewer businesses which are smaller in scale by international standards and have not managed to enter international markets or attract foreign capital. Therefore at this moment in development it is wise to ask two basic but crucial questions: What particular obstacles are impeding the expected growth of private enterprises in modern industry in Mekelle and their participation in the global market for labor-intensive manufactures? And what should be done to induce the development of a more dynamic private sector?



2.2 Audience for the research

There are three main overlapping audiences for this research:

1. The investment policy and practice community in the city being studied (government bodies, business communities and the population at large with its organization)
2. Regional investment policymakers and leaders concerned with improving condition in the region, localities and cities.
3. Researchers who will contribute to the betterment of investment growth in the region and the country. And students in the field.

2.3 Planning and Finance Bureau partners

The Planning and Finance Bureau is the central research and management hub responsible for the coordination of research, and Mekelle city administration and the bureau will be responsible for synthesis and uptake of research outputs across the city and the region respectively.

Mekelle University and Investment Agency of the region and city will have a participation in overall research management.

The Planning and Finance Bureau funds this research program. The investment in this unprecedented, ambitious and large-scale program reflects a key pillar of the bureau's plan, which involves underpinning policy and region-based practice with a strong evidence base.

3. Research scope and required competencies

The Planning and Finance Bureau is soliciting proposals from Mekelle University to carry out research programs that will address the full range of objectives discussed below.

This section of the TOR outlines the anticipated scope of the research, expected competencies of the individuals carrying out the research program, and what should be highlighted in the proposals to the Planning and Finance Bureau. The main sections we expect to see in proposals are as follows.

1. Background (Regional and city system context, reform or innovation to be studied)



2. Research plans (questions, methods, data collection, analysis)
3. Dissemination and engagement plans
4. Organizational and individual capabilities
5. Logistics (work plan, deliverables)
6. Appendices (staff CVs)
7. Budget

3.1 Objective

The study aims at identifying priority challenges and opportunities associated with investments in city of Mekelle. With this general objective the study will have the following objectives

- Assess business environment, flow of private investments and growth of the private sector in Mekelle city
- Identify the basic challenges the sub sector faced and the perspective for future growth
- Identify and clearly show the potential areas for PPP investments and set out the policy, legal, institutional and operational requirements essential for effective delivery of PPP initiatives.
- Contribution of the Private Sector to the Mekelle city's and the region's employment
- Assess institutional capacity to enforce and implement investment policy and regulations and supporting investment promotion
- Collect and disseminate new quantitative and qualitative data on Investment generally, especially on
- Produce practical applicable and academically publishable research



3.2 Elements of investment growth conditions to be studied

3.2.1 Investment Climate

The list of investment climate variables below which, by no means exhaustive, have effects on export and domestic activities of a region, localities or cities.

Macroeconomic stability (inflation, exchange rate), tariffs, profitability (time it takes to clear customs), infrastructure (availability and efficiency of services such as power, telephone, roads, waste disposal), corruption, communication (postal, railway, air freight, e-mail, fax) services, availability of export facilities (such as customs duty drawback, export credit guarantee, export processing zone, export proceeds retention), skill and education of workers, business licensing and operating permits, customs and trade regulations, availability of business support services, and foreign currency regulation. Besides to these Domestic demand, competition from imports (and smuggling), bureaucratic bottleneck, access to land, access to and cost of finance, labor regulations, tax rates/administration should be considered.

3.2.2 Sources of economic growth in Mekelle city

Identify and clearly show the potential areas for PPP investments and set out the policy, legal, institutional and operational requirements essential for effective delivery of PPP initiatives.

Contribution of the Private Sector to the Mekelle city's and the region's employment

Assess institutional capacity to enforce and implement investment policy and regulations and supporting investment promotion

3.3 Methods

As stated above, the central research question for this study is 'how can investment transform to significantly improve private sector's contribution to the economy?' Using this as the overarching research question, specific research questions should then be drawn down by research teams, dependent upon the city and investment reform focus. Therefore the methodology should answer the basic questions raised. For this Planning and Finance Bureau will expect qualitative and quantitative approaches will be included in the proposal.



The methods section of the proposal should first outline the key research questions to be answered under the proposed research program. Using the research questions as foundation, the methods section should address:

- How the research team arrived at the research questions
- Methods proposed to answer each research question
- Data sources, mapped to research questions and methods
- If using secondary data, discuss any data access issues and how you plan to obtain and clean the data
- If proposing primary data collection (strongly encouraged), what details about primary data collection should be included in proposals.

4. Expected outputs during research implementation

4.1 Inception phase: Background research and planning

This section outlines the key steps we expect research teams to undertake in the inception phase of this contract. We anticipate that the inception phase will last one month but the university is welcome to propose a different schedule in their work plans. The main deliverables in the inception phase are the system diagnostic of investment in Mekelle and the inception report. The inception report should include a detailed research design and work plan.

4.2 Primary data collection

Our bureau strongly encourages the collection and use of primary data. This section outlines for collecting and using primary data, and what details about primary data collection should be included in proposals. The main deliverable here will be all data collected must be shared publicly.



4.3 Secondary data use

Plans for using secondary data should be included in proposals and elaborated in the work plans

4.4 Data analysis and reporting

For payment purpose and for participation and enrichment of the study first and second draft data analysis and report should be prepared and submitted to the bureau. Therefore, report document of both drafts will be the deliverable.

4.5 Dissemination and engagement

In addition to producing analytical reports and papers, research teams will be engaged in regional and city level policy dialogue about investment. We expect this dissemination and engagement to take the following forms

- a. Dissemination of all analytical products in-the region. This could take the form of releasing report and brief, policy academic seminar and workshop
- b. Dissemination of all analytical products in-the Mekelle city. Research teams are expected to be embedded in local policy dialogue. This policy dialogue may include government, NGOs, the private sector, civic society, business communities, or other stakeholders. And this should be included in the proposal.

